

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name White Lake Area Solid Waste Authority	County Muskegon
Audit Date 6/30/05	Opinion Date 7/21/05	Date Accountant Report Submitted to State: 9/15/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

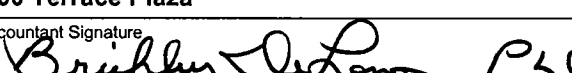
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Brickley DeLong, PLC			
Street Address 500 Terrace Plaza	City Muskegon	State MI	ZIP 49443
Accountant Signature 		Date 9/15/05	

White Lake Area Solid Waste Authority
Muskegon County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended June 30, 2005

White Lake Area Solid Waste Authority

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This section of the White Lake Area Solid Waste Authority's annual financial report presents our discussion and analysis of the Authority's financial performance during the year ended June 30, 2005. Please read it in conjunction with the Authority's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand White Lake Area Solid Waste Authority financially as a whole. The basic financial statements are comprised of the following elements:

Management's Discussion and Analysis (MD&A)

(Required Supplemental Information)

Basic Financial Statements

Financial Statements

Statement of net assets

Statement of revenues, expenses and changes in net assets

Statement of cash flows

Notes to the Basic Financial Statements

The statement of net assets provides balance as of the end of the reporting period. The statement of revenues, expenses, and changes in net assets provides information related to the activities of the Authority during the year. The statement of cash flows presents detailed information about the Authority's cash collection and disbursement.

Financial Overview

Recall that the statement of net assets provides the perspective of the Authority as a whole. The following table provides a comparison of the Authority's net assets as of June 30, 2005 and June 30, 2004:

Statement of Net Assets

	2005	2004
<u>Assets</u>		
Current and other assets	\$ 26,944	\$ 33,336
Capital assets	453	584
Total assets	27,397	33,920
<u>Liabilities</u>		
Current liabilities	6,407	15,744
<u>Net Assets</u>		
Invested in capital assets – net of related debt	453	584
Unrestricted	20,537	17,592
Total net assets	<u>\$ 20,990</u>	<u>\$ 18,176</u>

The above analysis focuses on the net assets. Current assets decreased due primarily to a reduction in current liabilities. The change in net assets (see table below) of the Authority's governmental activities is discussed below. The Authority's net assets were \$20,990 at June 30, 2005. Capital assets, net of related debt totaling \$453, which is a decrease of \$131 from the prior year. The remaining amount of net assets \$20,537 was unrestricted.

The \$20,537 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The unrestricted net asset balance is used to provide working capital and cash flow requirements as well as providing for future uncertainties.

The results of this year's operations for the Authority are reported in the statement of activities, which shows the changes in net assets for fiscal year 2005.

Statement of Activities

	2005	2004
Operating revenues		
Charges for services	\$ 70,456	\$ 74,223
Operating expenses		
Salaries and fringe benefits	9,114	9,411
Contracted services	52,524	61,060
Telephone	364	361
Professional fees	1,755	1,475
Insurance and bonds	2,176	1,817
Administrative services	1,500	1,500
Repairs and maintenance	43	185
Depreciation	131	131
Other	166	441
	<u>67,773</u>	<u>76,381</u>
Operating income (loss)	2,683	(2,158)
Nonoperating revenues		
Investment earnings	<u>131</u>	<u>119</u>
Net income (loss)	2,814	(2,039)
Net assets at beginning of year	<u>18,176</u>	<u>20,215</u>
Net assets at end of year	<u>\$ 20,990</u>	<u>\$ 18,176</u>

Increase in Net Assets

The Authority experienced an increase in net assets of \$2,814. Key reasons for the change in net assets was a decrease in revenues in 2005 offset by a larger decrease in contracted services. The main reason that the costs decreased more than revenues was due to the additional usage charges to the participating municipalities related to pride week. This additional revenue offset some of the decrease in revenues experienced during the year. The contracted services costs decreased due to an overall decrease in usage. The net result of these two items was the resulting improvement in the change in net assets.

Capital Asset and Debt Administration**Capital Assets**

At June 30, 2005, the Authority had \$453 (after accumulated depreciation) invested in a broad range of capital assets, including a buildings and transfer station equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of \$131 from last year.

	2005	2004
Transfer station	\$ 75,185	\$ 75,185
Buildings	3,068	3,068
Total capital assets	78,253	78,253
Accumulated depreciation	77,800	77,669
Total assets, net	<u>\$ 453</u>	<u>\$ 584</u>

There were no capital asset additions or deletions during the year.

Economic Factors

The Authority had been slowly utilizing net assets to cover its annual net losses until this year. The Authority changed its billing policies related to pride week to increase revenues. The Authority has adopted a break even budget for fiscal year 2006. This budget could be affected by several factors which may require the adjustment of the budget as the year progresses. The Authority's finances would be affected by an increase in dumping or hauling costs. If these costs increase it is likely that the Authority would have to adjust its revenues in a manner to recover these additional costs through higher user fees or assessments to the participating municipalities.

Contacting the Authority Financial Management

The financial report is designed to provide a general overview of the Authority's finances for all those interested in the Authority. If you have any questions about this report or need additional information, contact the White Lake Area Solid Waste Authority at 8778 Ferry St., Montague, MI 49437.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

July 21, 2005

Board of Directors
White Lake Area Solid Waste Authority
Whitehall, Michigan

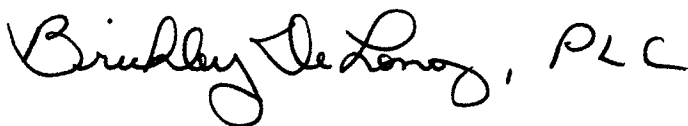
We have audited the accompanying financial statements as of and for the year ended June 30, 2005, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the White Lake Area Solid Waste Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

No accounting controls are exercised over fees for services prior to the initial entry of the fees in the accounting records. Accordingly, it was impractical to extend our audit beyond the receipts recorded.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the cash collections of fees referred to above been susceptible to satisfactory audit tests, the financial statements referred to above present fairly, in all material respects, the financial position of White Lake Area Solid Waste Authority, as of June 30, 2005, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages i through iii is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



White Lake Area Solid Waste Authority
STATEMENT OF NET ASSETS
June 30, 2005

ASSETS

CURRENT ASSETS

Cash and investments	\$ 22,647
Due from other governmental units	4,297
Total current assets	<u>26,944</u>

NONCURRENT ASSETS

Capital assets, net	
Land improvements	75,185
Building	3,068
Less accumulated depreciation	<u>(77,800)</u>
Capital assets, net	<u>453</u>
Total assets	<u>27,397</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	<u>6,407</u>
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NET ASSETS

Invested in capital assets	453
Unrestricted	<u>20,537</u>
Total net assets	<u><u>\$ 20,990</u></u>

The accompanying notes are an integral part of these statements.

White Lake Area Solid Waste Authority
**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS**
For the year ended June 30, 2005

Operating revenues	
Charges for services	\$ 70,456
Operating expenses	
Salaries and fringe benefits	9,114
Contracted services	52,524
Telephone	364
Professional fees	1,755
Insurance and bonds	2,176
Administrative services	1,500
Repairs and maintenance	43
Depreciation	131
Other	166
	<u>67,773</u>
Operating income	2,683
Nonoperating revenues	
Investment earnings	<u>131</u>
Change in net assets	2,814
Net assets at July 1, 2004	<u>18,176</u>
Net assets at June 30, 2005	<u><u>\$ 20,990</u></u>

The accompanying notes are an integral part of these statements.

White Lake Area Solid Waste Authority
STATEMENT OF CASH FLOWS
For the year ended June 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 73,852
Payments to suppliers	(67,865)
Payments to employees	(9,114)
Net cash used for operating activities	<u>(3,127)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment income	<u>131</u>
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DECREASE IN CASH AND INVESTMENTS	(2,996)
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Cash and investments at July 1, 2004	<u>25,643</u>
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Cash and investments at June 30, 2005	<u><u>\$ 22,647</u></u>
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Reconciliation of operating income to net cash used for operating activities

Operating income	\$ 2,683
Adjustments to reconcile operating income to net cash used for operating activities	
Depreciation expense	131
Change in assets and liabilities	
Due from other governmental units	3,396
Accounts payable	<u>(9,337)</u>
Net cash used for operating activities	<u><u>\$ (3,127)</u></u>

The accompanying notes are an integral part of these statements.

White Lake Area Solid Waste Authority
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the White Lake Area Solid Waste Authority (Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance. The more significant of the Authority's accounting policies are described below.

1. Reporting Entity

The White Lake Area Solid Waste Authority is incorporated under the provisions of Act 179, Public Acts of Michigan, as amended, for the purpose of the collection and disposal of garbage and rubbish for citizens of its constituent municipalities: the Cities of Whitehall and Montague, the Townships of Blue Lake, Montague, Whitehall, and White River.

Each of the municipalities participating in the Authority share the cost of operating and financing it. Initial capital requirements for construction of the transfer station and annual operating contributions are allocated to the municipalities in proportion to their respective populations. In addition, operating costs of the Authority are partially funded by user fees.

2. Basis of Accounting

Financial activities of the Organization are accounted for using the accrual basis of accounting.

3. Assets, Liabilities and Net Assets or Equity

a. Deposits and Investments

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Authority reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Authority intends to hold the investment until maturity.

The Authority has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Authority to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds.

White Lake Area Solid Waste Authority
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
June 30, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

3. Assets, Liabilities and Net Assets or Equity—Continued

b. Capital Assets

Capital assets, which include plant and equipment are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20
Land improvements	10-20

NOTE B—DEPOSITS AND INVESTMENTS

Investment Type

The Authority has one investment in an external investment pool (Pool) with a fair value of \$4,608. The fair value of the Authority's investments is the same as the fair value of the Pool. The Pool is not regulated nor registered with the SEC.

Interest rate risk. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The weighted average maturity of the fund is one day.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2005, the Authority's investment in the Pool was not rated.

Concentration of credit risk. The Authority does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. The Authority does not have a custodial credit risk policy for deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of June 30, 2005, the entire deposit amount of \$18,049 was covered by federal depository insurance.

Custodial credit risk - investments. The Authority does not have a custodial credit risk policy for investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Foreign currency risk. The Authority is not authorized to invest in investments which have this type of risk.

White Lake Area Solid Waste Authority
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
June 30, 2005

NOTE C—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 was as follows:

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
Capital assets, being depreciated:				
Buildings	\$ 3,068	\$ -	\$ -	\$ 3,068
Land improvements	<u>75,185</u>	<u>-</u>	<u>-</u>	<u>75,185</u>
Total capital assets, being depreciated	<u>78,253</u>	<u>-</u>	<u>-</u>	<u>78,253</u>
Less accumulated depreciation for:				
Buildings	2,771	59	-	2,830
Land improvements	<u>74,898</u>	<u>72</u>	<u>-</u>	<u>74,970</u>
Total accumulated depreciated	<u>77,669</u>	<u>131</u>	<u>-</u>	<u>77,800</u>
Capital assets, net	<u>\$ 584</u>	<u>\$ (131)</u>	<u>\$ -</u>	<u>\$ 453</u>

NOTE D—RELATED PARTY TRANSACTIONS

The Authority pays an administrative fee to the City of Montague, a participating governmental unit, for allocated City employee wages and fringe benefits. The fee incurred for the year ended June 30, 2005 was \$1,500.

NOTE E—RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. There have been no losses in excess of insurance coverage in the prior three years.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

July 21, 2005

Board of Directors
White Lake Area Solid Waste Authority
Whitehall, Michigan

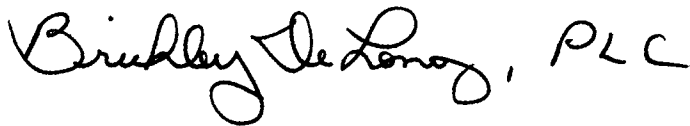
In planning and performing our audit of the financial statements of the White Lake Area Solid Waste Authority for the year ended June 30, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the White Lake Area Solid Waste Authority's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements. We have attached a summary of such reportable conditions.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended solely for the information of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.



REPORTABLE CONDITIONS

Recommendation 1: Authority personnel should comply with statutory requirements for expenditures.

According to MCL 38.1501, “contributions or appropriations which are not specifically authorized by the Constitution or State Statute cannot be authorized or issued regardless of the worthiness of the cause”. Examples of such prohibited expenditures include 1) gifts or plaques for employees or officials or recognition dinners and 2) flowers to the sick or departed.

During our testing of expenditures, we noted one expenditure which was not in compliance with Michigan statutory requirements. This expenditure was the purchase of a plaque for an employee for years of service.

Recommendation 2: The Authority should revise its investment policy.

During our audit, we noted that the Authority had not revised its investment policy to comply with Governmental Accounting Standards Board Statement 40.

The revision of the investment policy would help insure that the Authority properly addresses various investment risks.